

Internal Revenue Service

Department of the Treasury

District
Director

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

CERTIFIED MAIL

DEC 22 1988

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the [REDACTED] Corporation Law.

The purpose of the corporation is to monitor, gather, and disseminate information pertinent to the ownership and operation of [REDACTED] for members who are franchised by [REDACTED].

Membership is open to any individual, partnership, trust, firm or corporation who is a franchised [REDACTED] licensee of [REDACTED]. You currently have approximately [REDACTED] members.

The corporation's revenue is derived from dues and investment income and is disbursed for professional fees, meetings, publications, and other office expenses.

Section 501(c)(6) of the Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards for trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest the purpose of which is to promote such interest. This section also provides that a business league exempt under 501(c)(6) "is of the same general class as a chamber of commerce or board of trade" and "its activities should be directed to improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Revenue Ruling 73-411, 1973-2 C.B. 180 discusses the characteristics of organizations exempt under 501(c)(6), stating that an organization seeking exemption under this section as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interests of all the commercial enterprises in a given trade community comprising a broad segment of the public such as a city or similar geographical or political area. A business league or trade association is similar to a chamber of commerce, but serves the common business interests of those in a single line of business, or of closely related lines of business. In either case, membership is voluntary, and open to all businessmen in the community, in the line of business sharing the common business interest in the case of a business league. Benefits are not limited to the membership.

Revenue Ruling 58-294, 1958-1 C.B. 244 considered the qualification for exemption under section 501(c)(6) of an organization whose membership was limited to any person, firm, or corporation licensed to manufacture and sell a specified product. The association owns the controlling interest in the corporation which holds the basic patents on the particular product, grants licenses under the patent and sells to the members of the association the material and equipment necessary in the manufacture of the product. It was held that the association was engaged in activities which were ordinarily carried on for profit. The association's activities were not directed to the improvement of business conditions of one or more lines of business, but rather to furthering the business interests of the dealers in the particular patented product.

In Revenue Ruling 68-182, 1968-1 C.B. 263 it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

Your organization provides [REDACTED] franchisees an opportunity to collectively present concerns and complaints to the management of [REDACTED] to gain favorable management treatment and cooperation.

Your activities are directed to promoting the business and economic interests of your membership, not an industry.

We therefore hold that you lack the essential characteristics of a chamber of commerce, board of trade, and/or business league. Accordingly, you do not meet the test of the statute and do not qualify for exemption under Section 501(c)(6) of the Code.

Until you have established an exempt status, you are not relieved of the requirements for filing Federal income tax returns.

[REDACTED]

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]
[REDACTED]
District Director

Enclosure: Publication 892

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Dist. Dir. [REDACTED] 1968